

European energy markets developments – Introduction

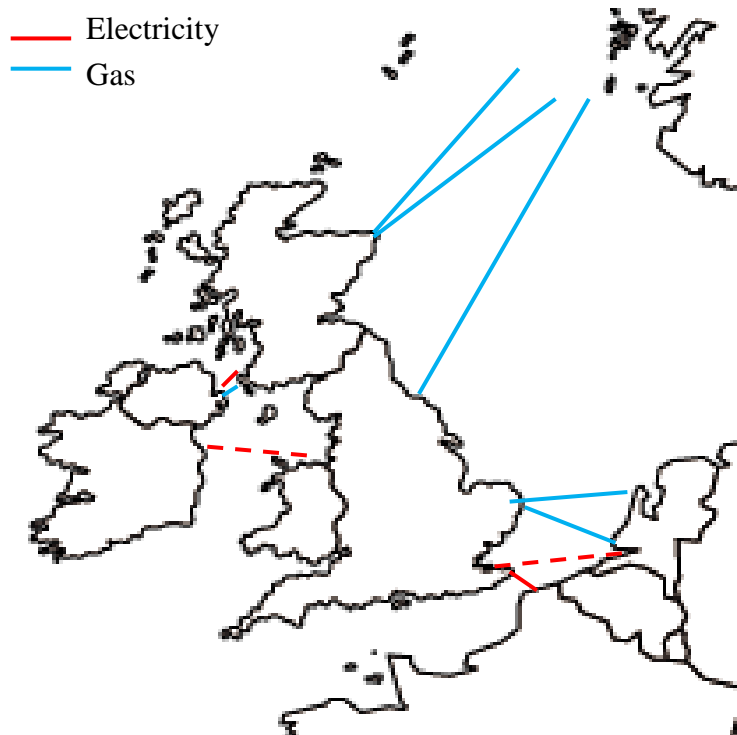
GB Stakeholder event
13th October 2010

Siobhán Carty, European Strategy
team, OFGEM.

Agenda

- Europe: its impact
- European energy market priorities
 - Sustainability
 - Competitiveness
 - Security of supply
- European institutions
- European Network Codes – scope and process
- How can you engage.

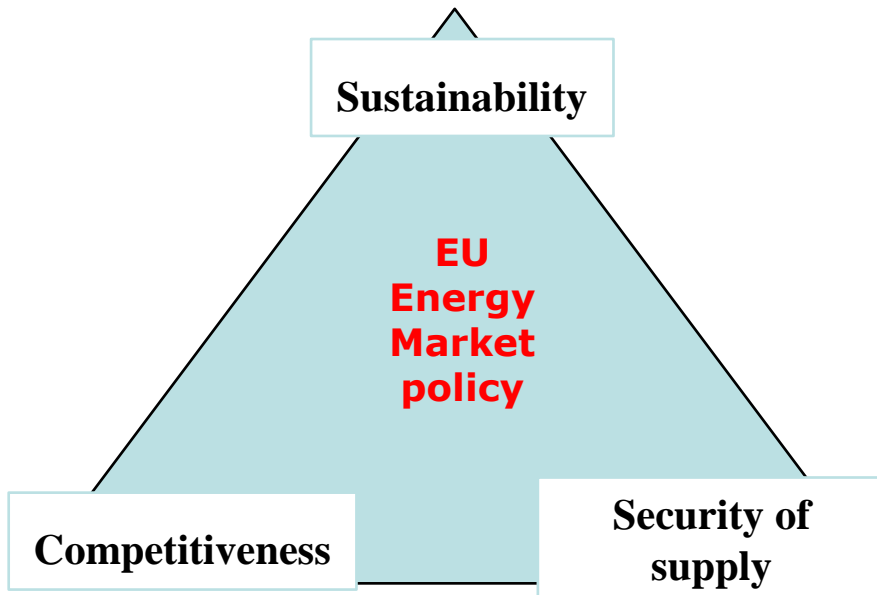
Europe – impact on GB



- Impact on GB price
 - Increased interconnection means convergence of price in Europe
- Security of supply
 - What happens in Europe (and beyond) affects our ability to keep lights on
- National arrangements
 - More energy and environmental European law means changes for us – it takes precedence.

European energy market priorities

European energy market priorities – challenges are not dissimilar to GB

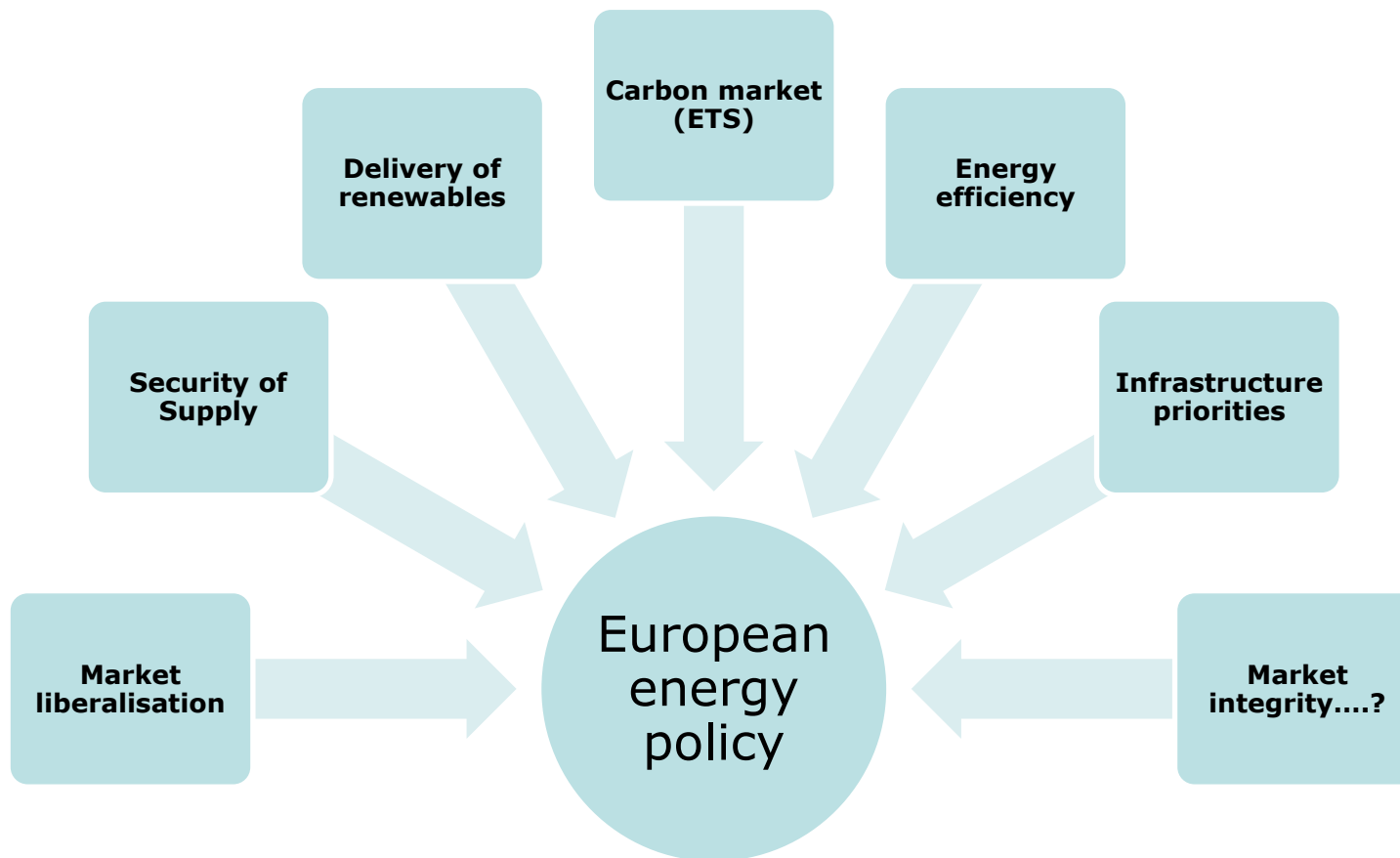


Q) How to achieve “security, sustainability + competitiveness”?

A) Competitive markets and strong/independent regulation...

But the devil is in the detail, and EU negotiations are about compromise.

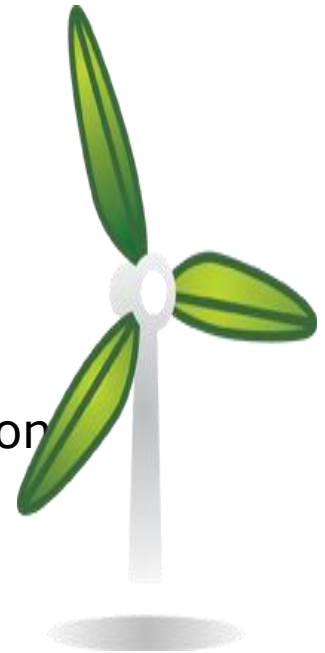
Reflecting the challenges, European energy policy has various tenets...



... with plenty of developments!

Priority #1: Sustainable, fair markets

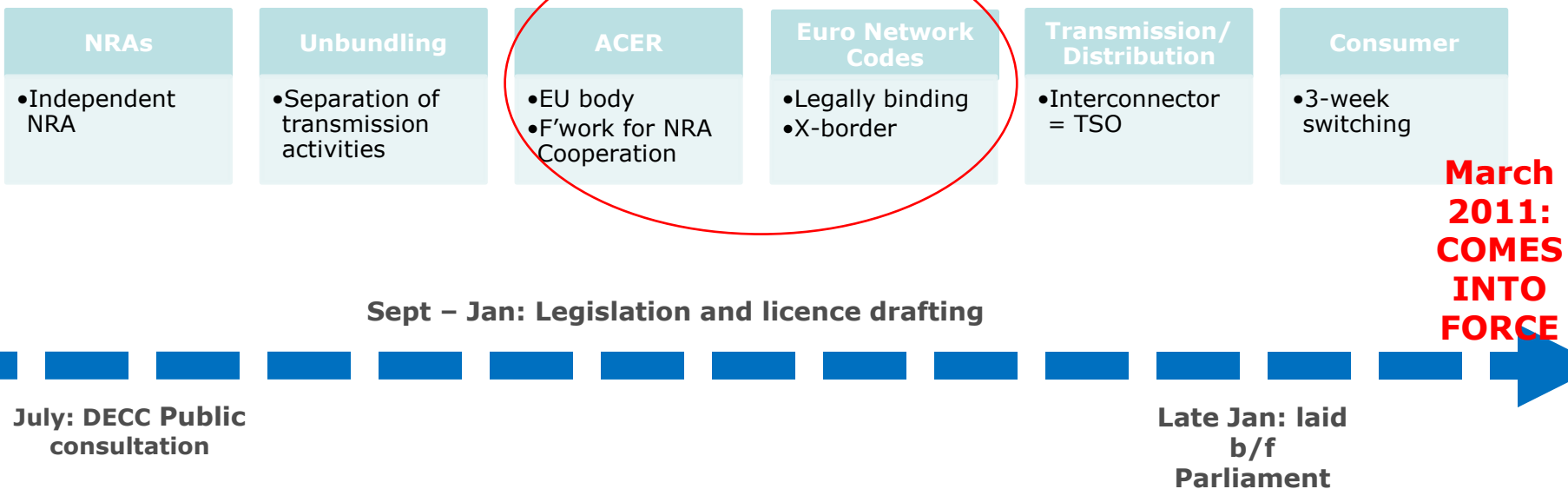
- The Green Package
 - Binding renewables targets;
 - EU ETS: 100% auctioning for power from 2013.
- Commission's Energy Efficiency action plan
 - (Non-binding?) energy efficiency targets
 - Focus on buildings – but also on consumer information
- Smart grids and smart meters
 - Task forces to achieve common standards.
- North Seas Offshore Grid Initiative
 - 10 Member States' commitment to integrated grid.



Priority #2: Competitive markets (1)

- 1st, 2nd and 3rd Energy Packages
- Florence, Madrid and London Fora
- Market integrity
 - Value of increased energy trading – but risk of market abuse
 - Lack of harmonisation across EU
 - Commission proposals
 - “tailor made rules to cover all relevant... transactions” – but exact scope of proposals is still unclear
 - Significant role for ACER?

Priority #2: Competitive markets (2) – Third Package and its implementation



The Third Package is likely to align us more closely with other European markets – key opportunity for GB.

Priority #3: Secure energy markets – increased intervention?

- Energy Infrastructure Package
 - gas, electricity, CCS infrastructure, oil
 - Communication expected in November 2010
 - Legislative proposals in Summer 2011

Project that demonstrate

- Regional benefit;
- Security of supply;
- Innovative technologies; or
- Face funding issues; and
- Which would not be delivered by the market....



Receive “prioritisation”

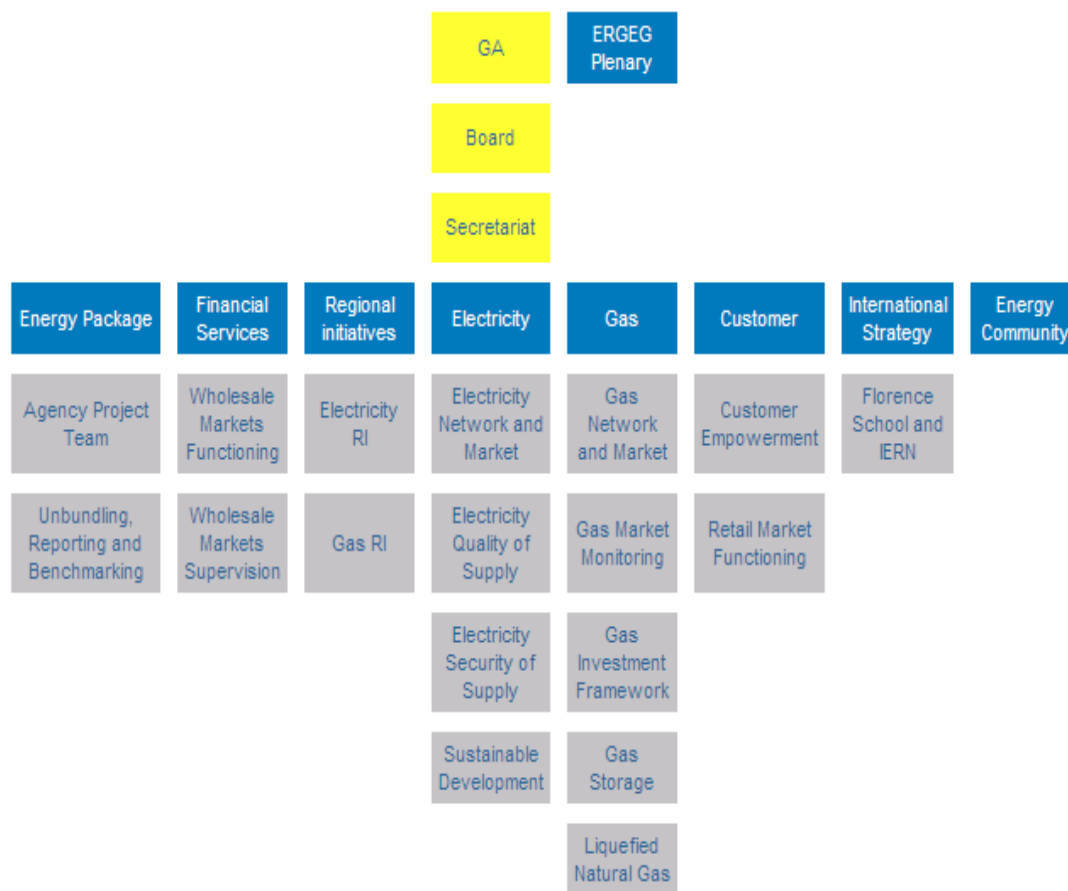
- EU financial support – where needed
- Assistance in promoting public acceptance
- Promotion of regional cooperation

- Gas Security of Supply Regulation
 - Expected to take effect by end 2010.

Institutions

Key European institutions – CEER/EREG

- CEER/EREG
 - Coordinates national arrangements
 - Provides Advice to the Commission
 - ERGEG will be replaced by ACER – CEER will become EER.



Key European institutions – Regional Initiatives

Gas - North West Region



Participants: GB plus Netherlands, Belgium, France, Ireland, Germany, Denmark, Sweden, Norway (observer)

Key projects:

- Transparency
- Investment
- Capacity

Electricity - FUI



Participants: GB (chair of region), France and Ireland

Key projects:

- Congestion Management
- Balancing
- Auction co-ordination

Key European institutions – ACER

- Agency for the Cooperation of Energy Regulators (ACER)

Welcome to Ljubljana...

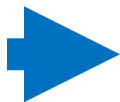


July '10:
Appointment
of Director

**September
'10: First
Work
Programme
agreed**

August '10 – on-going: Appointment of staff

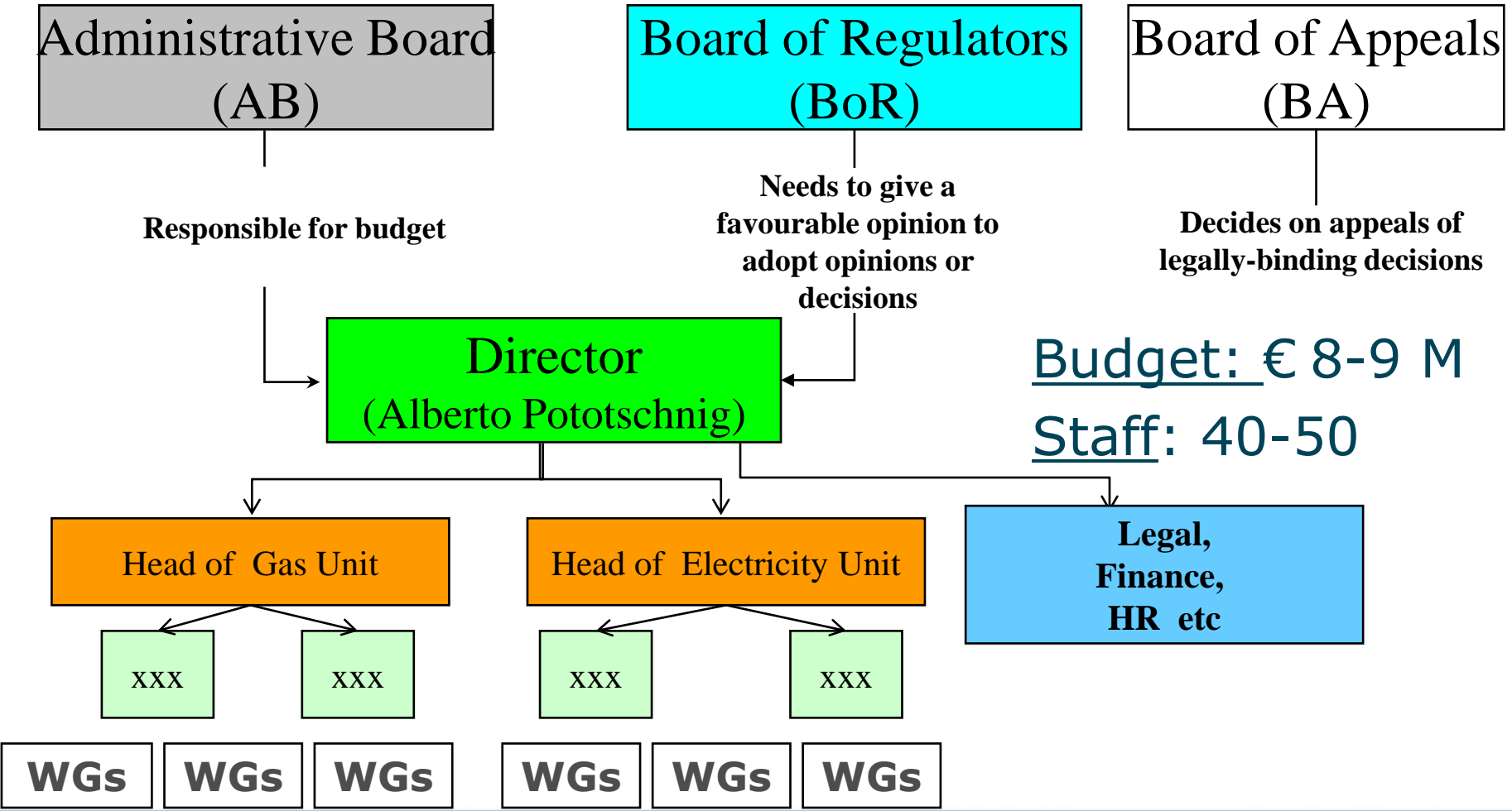
**March
2011:
ACER
become
operational**



ACER's powers and duties

- Set the Framework Guidelines for European Network Codes, or provide option on the Framework Guidelines
- Monitor the TSOs' (ENTSOs) development and Member States' implementation of the Codes
- Opine on European 10-year network development plan
- Power to determine cross-border disputes between NRAs
- Market monitoring

ACER's organisational structure



Key European institutions – the EU



The Commission

- Initiatives legislation.
- Will adopt Codes and Guidelines.



The Parliament

- Co-legislator.
- May ask Commission to propose legislation.
- Consumer and environment-focused.



The Council

- Co-legislator – strong role in influencing.
- National interests reflected (DECC).

We have opportunity to influence the negotiations.

Other key European organisations

- ENTSO-E/G
 - Represents all European TSOs;
 - Responsible for
 - Development of 10-year network development plan
 - Drafting of European codes....

- Industry representative organisations
 - Can have strong role in influencing the negotiations



... and International organisations

- International Co-operation of Energy Regulators
 - Voluntary framework for cooperation among NRA world-wide;
 - Focus on issues such as security of supply and renewables.

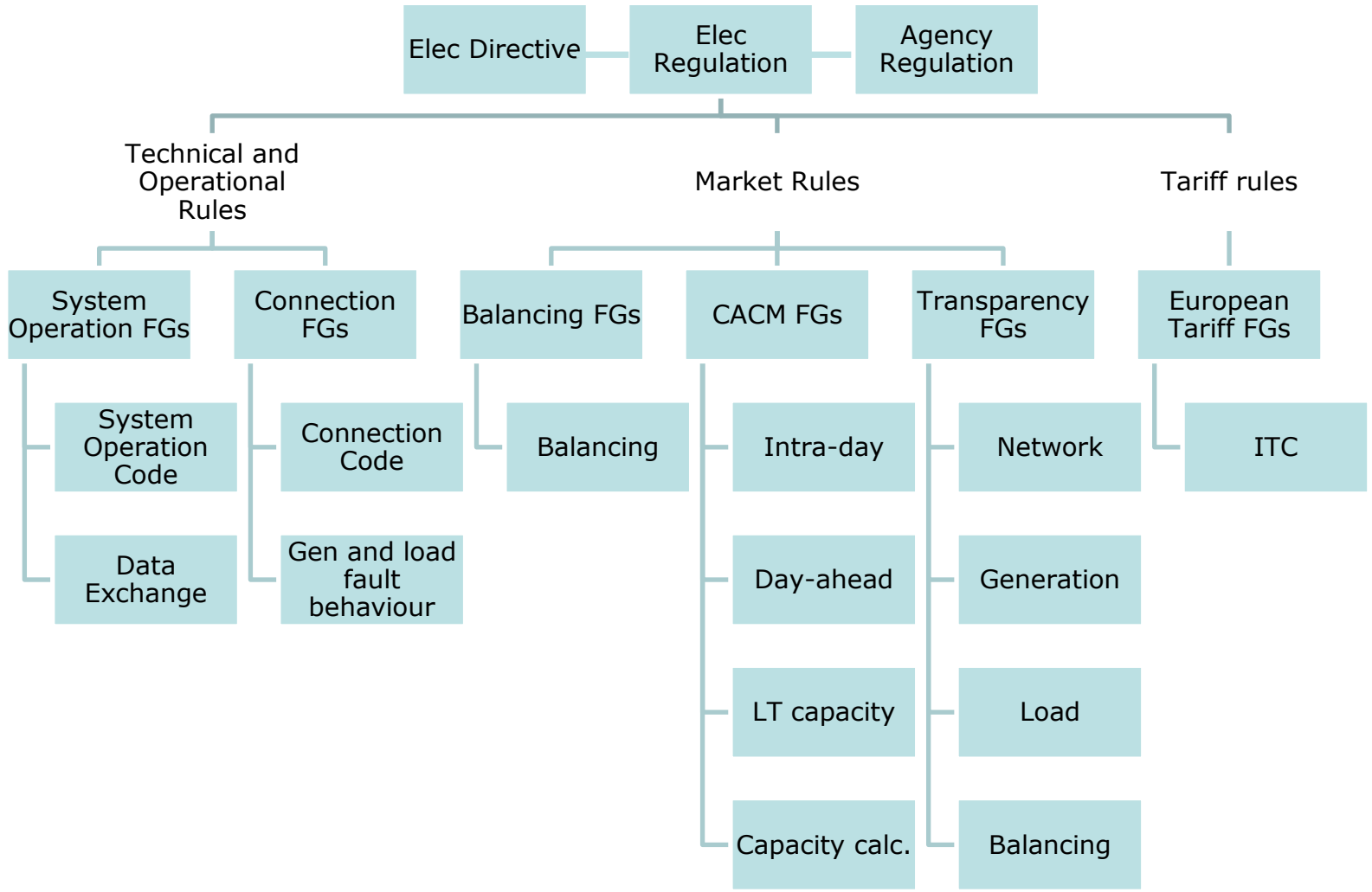


European Network Codes

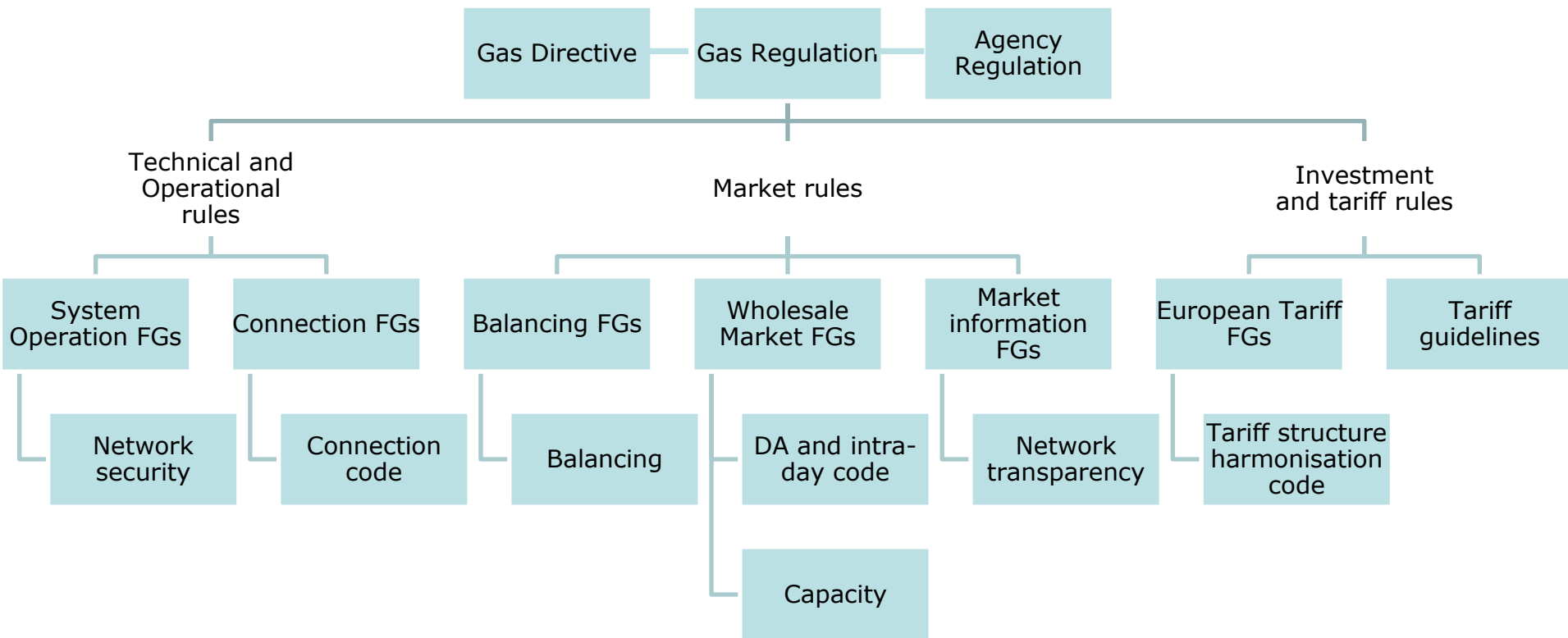
European Network Codes

- Rules for cross-border arrangements
 - Unlikely to look like GB Codes
 - Legally-binding – and take precedence over GB arrangements!
- Cross-border
 - What does this mean in Single Energy Market?
- Through ERGEG, we are playing key role in development of the framework of the Codes.

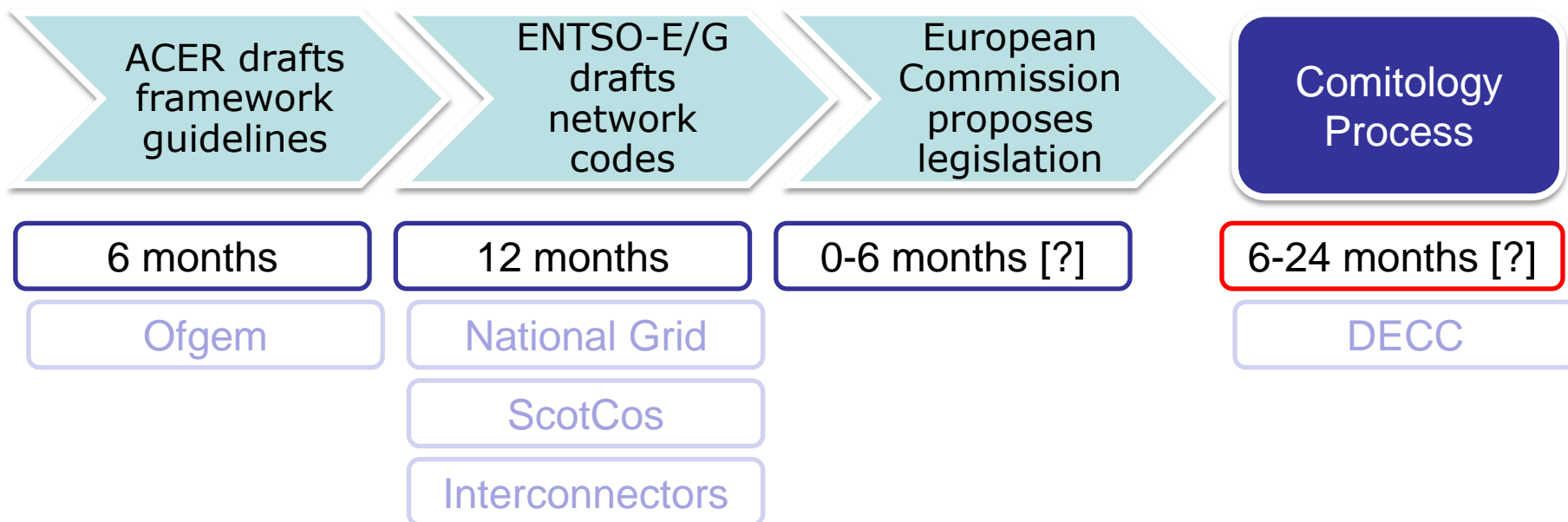
Electricity Network Codes



Gas Network Codes



Process for the development of Framework guideline and network code process



How can you engage?

- Through us
 - Our door is (almost!) open
- Through EER/ACER
 - Respond to consultation
 - Attend stakeholder events or expert groups
- Through European representative organisations



What can we do for you?

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the bottom left corner, a blue gas burner is visible. The overall theme is energy and customer service.

ofgem

Promoting choice and value
for all gas and electricity customers